

THE COMPARISON OF TWO STRATEGIC ALLIANCES IN TERMS OF ORGANIZATIONAL LEARNING AND KNOWLEDGE TRANSFER

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Abstract: In the current situation of the global economy, collaboration may provide an opportunity for companies by engaging in strategic alliances. One of the main reasons that companies participate in strategic alliances is to share knowledge and expertise and to increase the utilization of knowledge by organizational learning and knowledge transfer. The aim of the present study is to make a comparison between two specific international strategic alliances to investigate the role of organizational learning and knowledge transfer in building strategic alliances within companies.

Key Words: Strategic Alliances, Organizational Learning, Knowledge Transfer, Case Study

Introduction

The aim of the present study is to investigate the role of organizational learning and knowledge transfer in building strategic alliances and make a comparison between two specific strategic alliances in terms of organizational learning and knowledge transfer.

Since the 1980's there have been significant political, social, cultural, technological and economic changes in the market conditions with the globalization. With these changes local markets have been replaced by global markets and there has been a big increase of collaboration between companies. As large companies have started using modern management techniques such as outsourcing and divestment of "non-core" activities, they have increasingly cooperated with other companies in order to engage in activities and access resources outside their own boundaries (Grant and Baden-Fuller, 2004:61). Companies tend to go for strategic alliances to enter global markets, obtain sustainable competitive advantages, enhance the effectiveness of the competitive strategies, access or internalize new technologies and know-how beyond company boundaries and exploit economies of scale and scope or to share risk or uncertainty with their partners (Yoshino and Rangan, 1995:23; Kale, Singh and Perlmutter, 2000:217).

In the present study, we start with a brief literature review of strategic alliances, organizational learning and knowledge transfer. Next, we conduct our research using qualitative data from two specific companies operating in Turkey. We explain the data collection method, the research model and analytical procedures in details. Then we make a comparison between two companies in terms of organizational learning and knowledge transfer in building strategic alliances. Finally, we provide the research findings and discuss their managerial and theoretical implications by comparing these two companies and two strategic alliances.

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LITERATURE REVIEW

Strategic alliances are defined as a fast and a flexible way to access complementary resources and skills that belong to other companies that are different from each other in terms of core competencies, strengths and weaknesses and they are not distributed equally (Hamel, 1991: 83). Moreover, strategic alliances are identified as informal or formal arrangements that can be defined as purposive strategic relationships between companies that share compatible goals, strive for mutual benefits with a common business objective and a situation with a high level of bilateral interdependency (Czinkota et al., 2009:29; Dyer et al., 2001:37; Hall, 1995:44; Mohr and Spekman, 1994:136). Another definition commonly found in the literature states that strategic alliances are relatively enduring cooperative arrangements, involving flows and linkages that utilize resources and governance structures (Bignoux, 2006:615-616).

Strategic alliances have become an important tool for achieving sustainable competitive advantage by reason of the ability to increase a company's knowledge base more quickly and cheaply than outsourcing and to contribute to the efficiency in the application of knowledge (Huff et al., 2009:348-349). Competitive capabilities are important in driving the creativity, evolution and recombination of resources; as the company renews or recombines its resources through alliances it will improve its competitive strength (Yaprak, 2011:1128-1130). These advantages of strategic alliances are enhanced where there is uncertainty over future knowledge requirements and where new products offer early-mover advantages (Grant and Baden-Fuller, 2004:61). Strategic alliances encompass a wide range of collaborative forms including long-term supplier-buyer partnerships, outsourcing agreements, technical collaboration, joint research projects and consortiums, licensing arrangements, shared new product development, shared manufacturing arrangements, common distribution agreements, cross-selling arrangements, franchising and ownership links like cross-equity holdings and joint ventures (Oxley, 1997:390; Huff et al., 2009:350).

Strategic alliances are considered as one of the shortcuts to gain knowledge through organizational learning (Aguilera, 2007:38). Organizational learning can be grouped as routine-based, history-dependent and target-oriented and it includes how organizations learn from direct experience, from experience of others and how organizations develop paradigms for interpreting that experience (Levitt and March, 1988:319). An organization learns if the gained knowledge is accepted as potentially useful to the organization (Huber, 1991:89). Most of the researches have shown that cooperative agreements between companies provide opportunities for knowledge transfer in terms of identifying, transferring and internalizing external knowledge (Khamseh and Jolly, 2008:37). A company's main motivation for entering into collaborative agreements is to transfer organizational knowledge (Kogut, 1988:319). As Mowery et al.'s (1996:77-91) study with interesting results showed, this study examines organizational learning and knowledge transfer between companies in strategic alliances and aims to make a comparison between two specific strategic alliances.

METHOD

This study uses a qualitative research design. Qualitative research is based on a belief that truth is constantly evolving and is a cultural construction deriving from an interaction between experiences in the world and the human mind. The picture of reality garnered through research is a subjective construction formed in the interaction between researcher, context, and what or who is researched, and in fact, the researcher is the instrument of analysis (Marchel & Owens, 2007:301-324). Data were collected from different sources like in-depth interviews with top executives of two specific companies operating in Turkey to learn more about companies' strategic alliance building behavior, observation and documents/archival records where qualitative research concentrates on the process through which humans derive meaning from their experience (Denzin & Lincoln, 1994:12-14).

RESEARCH FINDINGS & DISCUSSION

We conducted a series of detailed interviews with the General Manager (GM) and Board Member, Corporate Communication Manager and CFO of Egepen Deceuninck and Board Members of Saruhan Group of Companies. We asked open ended interview questions and received detailed answers during the interviews. The aim of asking open ended questions is to reach subconscious information by making the top executives speak more about their companies.

Ege Profil A.Ş (Egepen) is a Turkish PVC profile company that had the thought of building a strategic alliance since 1990s. After the first attempt with a German company that was not realized in 1991, Egepen had the full motivation, intention and potential for making a strategic alliance in order to be disciplined while working with a foreigner company. Deceuninck Group NV is a Belgian company that grounded its growth strategy on company acquisitions in different countries. Egepen and Deceuninck Group NV spent two years in building the strategic alliance with three disengagements.

Saruhan Group of Companies was established in 1947 as a small enterprise in Rize. In 1970s, the company started to sell electrical materials including household electrical appliances and industrial cleaning machines in Istanbul. Saruhan Group of Companies got the distributorship of two German companies Fakir and Nilco in 1985. The company established its own machine factory in Çorlu in 1996 and started to export industrial cleaning machines that were produced with German engineers. In 1999, the company built a chemical plant in Çorlu and produced 15000 tons of detergent, 55000 tons of powder detergent and 25000 tons of liquid detergent for export and domestic sales. Saruhan Group of Companies established a strong distributorship network that enables competitive distribution. In 2007, the company established Saruhan Deutschland holding company in Germany and made a strategic partnership with Fakir and then this strategic partnership was transformed into a universal partnership by acquiring shares (<http://www.saruhan.com.tr/tr/tarihce.php>)

It is very important for a company to obtain positive results in terms of knowledge transfer, organizational learning and becoming a learning organization. As we examined in our case studies, the strategic alliance between Egepen and Deceuninck NV and Saruhan Group of Companies and Fakir are good strategic alliance examples.

For the first interview question, Egepen states that the idea of a strategic alliance comes from the necessity of more professionalism and discipline in the company. According to Saruhan Group of Companies, it is important to be one of the leading companies in order to realize "rising star" image of Turkey in national and international markets and access to international

markets. We can specify that both of the companies have some strategic goals for building a strategic alliance such as experience sharing, exchanging ideas, co-development of products, technologies and services like Gulati identified (1998:293). As stated in the second interview question, after the strategic alliance Egepen obtained growth and professionalism but it lost its identity of being an independent company and became a foreign company that has only 3% domestic shares in the stock exchange. Unlike Egepen, Saruhan Group of Companies realized not only organizational learning but also obtained fund of knowledge for the company's future activities. For the third interview question, both of the companies' strategic alliance partners did not interfere in the organizational structure of the companies and therefore the companies did not make any radical organizational structure change, but there were some critical personnel changes in both of the companies when needed during the strategic alliances. As stated in the fourth question, both of the companies succeeded to transfer learning into a process. Saruhan Group of Companies started to deliver more productive and courageous performance especially in international trade after the strategic alliance. Egepen succeeded in reaching the targeted company goals after building the strategic alliance. Before the strategic alliance there was no IT integration, export experience and budget perception; but after the alliance Egepen completed its IT integration, gained export experience and learned the importance of "budget". This shows that Egepen was successful in organizational learning in terms of gaining new information, transforming information to the present organizational knowledge, learning from direct experience and from experience of its alliance partner (Genç and İyigün, 2011:1130). After the strategic alliance, Saruhan Group of Companies started to work more planned and learned new production, organization and sales techniques that means significant progress for the company. We can easily say that organizational learning transformed into a process by integration. Egepen and Saruhan Group of Companies started exporting, had the chance for benchmarking and renewed IT software. As Mohr and Speakman (1994:137) identified, Egepen and Deceuninck NV and Saruhan Group of Companies and Fakir have a purposive strategic relationship that share goals and mutual benefits. For the fifth question, both of the companies realized significant changes in management information systems. Specifically, Egepen started using new software programs like SAP and Deplis and Saruhan Group of Companies started using SAP like Egepen. As stated in the sixth question, Egepen was successfully able to realize drastic changes in its strategic management and understood the importance of "budget", transferred into a company that creates trends and is followed by others and transformed tacit knowledge into more explicit forms. Saruhan Group of Companies gained the ability of planning according to strategies by developing short and long term strategies that provided important outcomes for organizational memory. For the seventh question, Egepen succeeded to make the organization structure stronger and Saruhan Group of Companies succeeded to make the coordination stronger with the alliance. As stated in the eighth question, Egepen gained abilities in a variety of areas like management, organizational transfer, export, investment, integration, working concertedly with a foreigner alliance partner, benchmarking, knowledge transfer and organizational learning. Moreover, Egepen learned the importance of "budget" in strategic management, produced significant developments about growth and sustainability. Saruhan Group of Companies made a new division of labor in management, sales and marketing after the alliance. According to this division of work, Africa and Asia markets are directed by Turkey and Europe and America markets are directed by Germany. Saruhan Group of Companies was successfully able to gain production and sales ability in international markets, understood the importance of "quality" and learned about innovation and market knowledge from direct experience. For the ninth question, Egepen could not realize remarkable changes in Human Resources Management (HRM) policies after the alliance for having totally different financial conditions and geographical situation from its alliance partner whereas

Saruhan Group of Companies enhanced its HRM practices including trainings and individual development. In other words; Egepen showed progress in HR practices in terms of motivation and reinforcing. Saruhan Group of Companies started to work in teams for production, controlling and purchasing with the producers in Asia, Europe and Turkey which accelerated the work speed.

CONCLUSION

Egepen has been successful with the knowledge transfer in the strategic alliance. We can state that we were expecting the same success level for organizational learning with knowledge transfer but there are still some points that should be improved by the company in areas like HR and HRM. In terms of strategic management, there have been many drastic changes like gaining budget perception, management experience, organizational transfer and re-positioning from a trend-follower to a trend-setter company. Saruhan Group of Companies realized remarkable progress about knowledge transfer and organizational learning in building strategic alliance. Although there were some adaptation challenges and chaos because of breaking taboos while building the strategic alliance, Saruhan Group of Companies overcame these problems with its decisiveness of the company about building a strategic alliance. Moreover, the company showed progress about HR policies including personnel empowerment in terms of time management and work discipline.

In the light of the information mentioned, it can be stated that Egepen couldn't succeed growth with preserving its own entity because of being acquired by a foreign company with 3% domestic shares left in the stock exchange in contrast Saruhan Group of Companies benefited in a lot of areas from the strategic alliance. Both of the companies that built strategic alliances show that companies are in need of a conceptual model on strategic alliances in order to behave scientifically and obtain positive results while building strategic alliances. In other words, Deceuninck Group NV was the company that found Egepen for a strategic alliance and Egepen was almost all acquired by Deceuninck and on the contrary Saruhan Group of Companies was the company that got the distributorship of Fakir and acquired Fakir

This study was conducted by only two companies in Turkey. Future researchers may wish to consider other companies and may have different findings. We recommend for future researchers to extend this study with other case studies from different countries and make some inter-cultural comparisons within the companies.

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